

PLS FILE

M023007

**From:** Tom Munson  
**To:** WHedberg  
**Date:** Fri, Feb 12, 1999 12:30 PM  
**Subject:** North Lilly-M023007

A phone conversation with Mr. Gene Webb of North Lilly on 2/12/99 expressing the State's concern over the situation at North Lilly has led to a last and final verbal warning regarding the deteriorating situation at the North Lilly Heap Leach. It was apparent from the conversation with Mr. Webb that their partner Mahogany International (i.e John Brown, an accountant) was the supposed agree to the terms necessary and the money necessary to complete the project and that agreements with Mahogany Internation would be signed soon. This agreement was supposed to either give North Lilly the money necessary to handle the situation whether they did it themselves, or an agreement where Mahogany would transfer all the responsibility to North Lilly.

Mr. Webb stated that he would hopefully resolve the situation or know the outcome of this money matter today. I informed him in very serious terms that the State was extremely concerned and that he had failed to pay his 750. permitting fee and had failed to correspond with us at all regarding the outcome of the reclamation at the North Lilly Site.

I told him that the site was deteriorating (pond liners, erosion,etc.) and that the situation regarding ground water etc. was becoming questionable.

A call to Mr. John Brown was made today 2/12/99 and he stated that he was trying to agree on an amount regarding their responsibility for the North Lilly Project and then transfer all claims to the bond money to North Lilly. He stated that he would call me if any changes to the project dictated a deal gone bad regarding their agreements with North Lilly. He also stated the responsibility regarding the Project was with a company called Magellan Resources out of Montana and not Mahogany International.